



LETTER L-37-14

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VIA EMAIL

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July 10, 2014

Mr. Dennis Swanson
Director, Regulatory Affairs
FortisBC Inc.
Suite 100 – 1975 Springfield Road
Kelowna, BC V1Y 7V7

Dear Mr. Swanson:

Re: Generic Cost of Capital Proceeding (Stage 2) Decision and Order G-47-14
FortisBC Inc. Compliance Filing

As a result of the recent telephone conversations between Commission staff and FortisBC Inc. (FBC) and FBC's email (with attachments) dated June 19, 2014, to Commission staff regarding Letter L-22-14, the Commission acknowledges FBC's clarification that the impacts of the Generic Cost of Capital (GCOC) proceeding decisions have already been taken into account in FBC's currently approved 2014 rates. These rate changes have been made pursuant to Order G-151-13, issued under the proceeding on an Application for approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018 (PBR Application).

The clarification provided by FBC in its June 19, 2014 response to Letter L-22-14 has resulted in the Commission finding that FBC is in compliance with Order G-47-14 dated March 25, 2014, issued pursuant to the GCOC proceeding Stage 2. Accordingly, Letter L-22-14 is rescinded by this Letter L-37-14.

Due to the fact that Letter L-22-14 is rescinded, the FBC compliance filing dated May 2, 2014 to Order G-47-14 still requires a response from the Commission. The following paragraphs summarize the Commission's response:

- A. FBC indicates that there is no change to its capital structure of 40 percent equity in the Stage 2 Decision. This is accepted by the Commission.
- B. FBC recalculated its approved 2013 revenue requirements and the resulting change is a revenue surplus of \$3.6 million or rate decrease by 0.75 percent. Order G-151-13 issued in the PBR Application, in the Reasons attached to the Order, denied FBC's request to make permanent its interim 2013 rates. It further added that: "These rates would remain as interim until a decision is rendered for the Stage 2 of GCOC." (p. 6 of 7 of Appendix A to Order G-151-13). The Reasons also quoted Commission Letter L-31-13A which provides an interpretation regarding interim rates for FBCU¹ and all parties to the GCOC

¹ FBCU is the acronym for FortisBC Utilities comprising the gas and electric utilities of FortisBC Inc., i.e., FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc., FortisBC Energy (Whistler) Inc. and FortisBC Inc.

proceeding. However, because the Commission also approved FBC's proposed interim rates for 2014 in Order G-151-13, the dismissal of FBC's request "to approve its then existing rates as permanent effective January 1, 2013 and that the Stage 1 GCOC impact be deferred and returned to customers in 2014" no longer had the intended effect.

Yours truly,

Erica Hamilton

EC/dg